


CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: August 4, 2026

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To: Honorable Mayor and City Councilmembers
From: Planning Department
 City Attorney Alex Mog
Department: Planning/City Management
Subject: Approval of Waiving Second Reading and Adoption of Ordinance 1167 An Ordinance of the City Council of the City of Sebastopol approving an amendment to the development agreement for the Barlow Hotel Development to establish a TOT tax rebate program

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RECOMMENDATION(s):

Staff recommends that the City Council: Approve Waiving Second Reading and Adoption of Ordinance approving an amendment to the development agreement for the Barlow Hotel Development to establish a TOT tax rebate program.

PROCESS OF AGENDA ITEM:

If the item remains on the Consent Calendar, no presentation is required, and the item will be approved as part of the Consent Calendar.

If the item is removed from the Consent Calendar, it will be heard as a regular agenda item and will proceed as follows:

- Presentation by staff
- Council questions and discussion
- Public comment
- Council deliberation and action

EXECUTIVE SUMMARY:

The Barlow Hotel project includes the redevelopment of the existing Guayaki industrial building at 6782 Sebastopol Avenue to create a three-storied boutique hotel with up to 83 hotel rooms. Once completed and operational, the hotel is expected to revitalize the downtown commercial area; support local businesses and tourism-related economic activity; and generate about \$1M in new annual revenue by the 5th year of operation, primarily from Transient Occupancy Taxes (TOT).

The Applicant requested, and Council approved, that the existing DA be amended to add a 50% TOT rebate for 120 months (10 years) after the hotel opens. After the 10-year period, all TOT revenues would flow directly to the City in perpetuity.

BACKGROUND:

On May 6, 2025, the City Council adopted Ordinance No. 1156 approving the original Development Agreement (DA) for the Barlow Hotel project (Highway Partners LLC et al.). The project replaces the former Guayaki building with an up-to-83-room boutique hotel, related amenities (restaurant, spa, meeting rooms, rooftop pool/deck), on-site and off-site parking (including the former batch-plant site at approximately 385 Morris Street), and public improvements such as a high-visibility crosswalk and Laguna de Santa Rosa pathway/overlook features.

The original DA vested entitlements for a 10-year term, provided for phased payment of certain impact fees over five years after opening, and anticipated substantial new General Fund revenues (primarily TOT) once the hotel stabilizes.

In May 2026, the applicant provided the required annual DA status update and formally requested an amendment to add a TOT-sharing provision: a rebate to the developer of 50% of collected TOT for 120 months (10 years),

commencing three months after hotel opening. The request cited challenging hospitality financing conditions, the need for local partnership to close the funding gap, and California municipal precedents for similar TOT incentive structures used to attract hotel development.

The Planning Commission subsequently considered the proposed DA amendment and recommended that the City Council approve the 50% TOT rebate for 10 years so the project can move forward. On July 21, 2026, the City Council conducted the first reading and introduction of the ordinance approving the amendment.

DISCUSSION:

The ordinance is before the Council for adoption at this meeting.

Adoption would authorize execution of the amended Development Agreement incorporating the TOT rebate program as described (50% of collected TOT remitted to the developer for 120 months beginning three months after opening). The Developer is required to use the TOT rebate for advertisement of tourism in the City of Sebastopol, including the Barlow Hotel. The City is entitled to request and receive, at least annually, documentation on how the TOT was spent. After the incentive period ends, 100% of TOT revenues would accrue to the City. The amendment is intended to improve project financial feasibility in the current market while preserving long-term public fiscal benefits from a completed and operating hotel that supports downtown vitality, local businesses, and tourism.

STAFF ANALYSIS:

The amendment improves the likelihood that the hotel will be financed and constructed, and once built and operating, will generate new Transient Occupancy Tax, sales tax, and related economic activity that the City would otherwise forgo if the hotel were not constructed.

CITY COUNCIL GOALS/PRIORITIES/ AND OR GENERAL PLAN CONSISTENCY:

This agenda item represents the City Council goals/priorities as follows:

Goal 4: High Performance Organization; Restore public trust, improve public communications, and strengthen collaborative partnerships with outside agencies and service providers.

Goal 6: Economic Development; Support Local Businesses & Vacant Spaces

PUBLIC COMMENT:

As of the preparation of this staff report, no public comments have been received on this item. Any comments received after distribution of the report will be provided to the City Council as supplemental materials. Public comment will also be accepted during the meeting.

COMMUNITY OUTREACH:

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

FISCAL IMPACT:

There is no fiscal impact associated with this informational report.

RESTATED RECOMMENDATION:

That the City Council: Approve Waiving Second Reading and Adoption of Ordinance approving an amendment to the development agreement for the Barlow Hotel Development to establish a TOT tax rebate program.

CITY COUNCIL OPTIONS:

1. Deny the recommendation
2. Deny recommendation and provide direction to staff

ATTACHMENT(S):

Ordinance

APPROVALS:

Department Head Approval:

Approval Date: 7-25-2026

CEQA Determination (Planning):

Approval Date: NA

The proposed action is not a project under the California Environmental Quality Act (CEQA).

General Plan Goal (Planning):

Approval Date: 7-25-2026

Administrative Services (Financial)

Approval Date: 7-25-2026

Costs authorized in City Approved Budget: ☐ Yes ☐ No ☐ N/A

Account Code (f applicable) _____

City Attorney Approval:

Approval Date: 7-25-2026

City Manager Approval:

Approval Date: 7-25-22026

ORDINANCE NUMBER 1167

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL APPROVING
AN AMENDMENT TO THE DEVELOPMENT AGREEMENT FOR THE BARLOW HOTEL DEVELOPMENT
TO ESTABLISH A TOT TAX REBATE PROGRAM

WHEREAS, Highway Partners LLC, Sebastopol Industrial Park LLC, and Barlow Star LLC (collectively "Applicant") have proposed to develop a hotel at 6782 Sebastopol Avenue, with related overflow and valet parking facilities at 385 Morris Street (the "Project"); and

WHEREAS, the Project will include a single, 69,934 square foot structure, consisting of up to 83 guest rooms, a meeting room and a conference room, retail space, spa, lobby restaurant, rooftop pool and deck, and rooftop cafe; and

WHEREAS, the Project will replace the existing 36,402 square foot Guayaki building at 6782 Sebastopol Avenue; and

WHEREAS, the Project is situated adjacent to the downtown within the Barlow market district, which is a destination for Sebastopol-area residents as well as visitors to the area; and

WHEREAS, the Project Site has a land use designation of Limited Industrial, which allows for a hotel development as well as parking facilities; and

WHEREAS, the Hotel Site is zoned Commercial Industrial, which allows hotels and accessory uses, as a conditionally permitted use; and

WHEREAS, the approved Development Agreement for the Barlow Hotel establishes the terms and conditions for development of the Project, and strengthens the planning process, encourages comprehensive planning, reduces uncertainty and costs in the development review process, and incorporates each of the land use entitlements that would otherwise be required in the absence of the Development Agreement, which consist of:

- A use permit for the hotel;
- A use permit for the sale of alcohol at the hotel;
- A tree removal permit for the removal of a tree on the Hotel Site;
- A use permit for offsite parking and valet parking at the Parking Lot Site;
- A use permit for the construction of a parking lot in the ESOS Zoning District and approval of ESOS setback reduction from 100' to 50';
- Design review for the Project;

WHEREAS, the Applicant has requested the City amend the development agreement to add a transient occupancy tax (TOT) tax sharing agreement for 120 months following the opening of the hotel, under which 50% of the TOT generated by the hotel would be rebated to the Applicant, to be utilized to actively promote tourism in the City of Sebastopol and establish the Barlow Hotel as a regional destination; and

WHEREAS, the Project is expected to generate substantial tax revenue for the City, through increased sales tax, property tax receipts, and the remaining 50% of TOT; and

WHEREAS, guests at the hotel will shop locally, which will create an economic benefit for local businesses; and

WHEREAS, in 2016, the Sebastopol City Council certified an Environmental Impact Report for the 2016 Sebastopol General Update (SCH#2016032001) (the "General Plan EIR"), which is incorporated herein by reference; and

WHEREAS, a hotel of up to 90 rooms within the Limited Industrial land use designation was anticipated and studied by the General Plan EIR; and

WHEREAS, pursuant to California Environmental Quality Act ("CEQA") Regulation Section 15183, when a project is consistent with a general plan for which an EIR was certified, no additional environmental review is necessary; and

WHEREAS, the proposal to amend the DA to add a TOT tax rebate does not involve any physical change to the project or the site, and further review under CEQA is not required; and

WHEREAS, the Planning Commission held a duly noticed public hearing regarding the proposed development agreement on July 14, 2026, and recommended the City Council approve an amendment to the development to facilitate the requested tax rebate program with certain exceptions; and

WHEREAS, the City Council held a duly noticed public hearing regarding the proposed development agreement on July 21, 2026, at which time all interested parties had the opportunity to be heard; and

WHEREAS, the City Council has determined that the Development Agreement will (1) ensure the productive use of property and foster orderly growth and quality development in the City; (2) allow development of the Project to proceed in accordance with the goals and policies set forth in the Sebastopol General Plan and will implement the City's stated General Plan policies; (3) facilitate the City receiving increased tax revenues that can be used for a variety of purposes; and (4) benefit local business by bringing more visitors to the City.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SEBASTOPOL DOES ORDAIN AS FOLLOWS:

1. **Recitals.** The above Recitals are true and correct and are made a part of this Ordinance.
2. **CEQA.** The Project and the proposed amendment to the Developer Agreement are consistent with the General Plan EIR previously certified by the City, that there are no impacts peculiar to the Project or its site that were not analyzed in the General Plan EIR, and that no additional environmental review is required for the Project or Development Agreement amendment pursuant to CEQA Guidelines.
3. **Findings.** Based on the staff report and the whole of the record related to the Project, including the proposed amendment to the Development Agreement, the City Council makes the following findings:

- A. The Development Agreement continues to be consistent with the objectives, policies, general land uses and programs specified in the General Plan and any applicable specific plan.
 - B. The Development Agreement continues to be compatible with the uses authorized in, and the regulations prescribed for, the district in which the real property is located.
 - C. The Development Agreement continues to be in conformity with public convenience, general welfare and good land use practice.
 - D. The Development Agreement, as amended, will not be detrimental to the public health, safety and general welfare.
 - E. The Development Agreement, as amended, will not adversely affect the orderly development of property.
 - F. The Development Agreement, as amended to add the TOT tax sharing program with funds dedicated to the active promotion of tourism in Sebastopol, will continue to provide sufficient benefit to the City to justify entering into the agreement.
4. Amendment Approval. The City Council approves an amendment to the Development Agreement to authorize a Transient Occupancy Tax Rebate, as set forth in Exhibit A, attached hereto and incorporated herein. The City Manager is authorized and directed to negotiate and execute the final form for the amendment to the Development Agreement consistent in Exhibit A, in a form approved by the City Attorney.
5. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed the Ordinance, and each and every section, subsection, sentence, clause, phrase or portion not declared invalid or unconstitutional without regard to whether any portion of this Ordinance would be subsequently declared invalid or unconstitutional.
6. Effective Date and Publication. This Ordinance shall be and the same is hereby declared to be in full force and effect from and after thirty (30) days after the date of its adoption. Before the expiration of fifteen (15) days after said passage, this ordinance or a summary therefore as provided in California Government Code Section 36933, shall be published at least once in a newspaper of general circulation published and circulated in the City of Sebastopol, along with the names of the Council Members voting for or against its passage.

APPROVED FOR FIRST READING AND INTRODUCTION OF ORDINANCE at the Regular City Council Meeting of July 21, 2026.

APPROVED FOR SECOND READING AND ADOPTION OF ORDINANCE at the Regular City Council Meeting of August 4, 2026.

VOTE:

Ayes:

Noes:

Absent:

Abstain:

APPROVED: _____
Mayor Jill McLewis

ATTEST: _____
Mary Gourley, City Manager

APPROVED AS TO FORM: _____
Alex Mog, City Attorney

EXHIBIT A

Section 7.5.5. Uniform Transient Occupancy Tax Rebate. In exchange for all of the benefits provided by this Development Agreement and the Project to the City, the City shall rebate a portion of the Uniform Transient Occupancy Tax collected from the Project. The City shall rebate 50% of the 12% tax that is levied through the Uniform Transient Occupancy Tax and provided to the City. In the event that the City increases the Uniform Transient Occupancy Tax, the City shall have no obligation to rebate any amount attributable to the portion of the Uniform Transient Occupancy Tax greater than the 12% tax rate. The rebate will commence upon occupancy of the hotel and continue for a period of 10 years. The Uniform Transient Occupancy Tax will be levied and submitted to the City and the City shall remit 50% of the 12% of the tax to the payee of the tax. The payee of the tax and/or the Developer or its Successor shall use the remitted tax funds for advertisement of tourism in the City of Sebastopol, including the Barlow Hotel as a destination in the City of Sebastopol. The City may request, and payee of tax shall provide, at least annually, documentation of how the remitted tax funds were spent for such purposes, but the City shall have no authority to direct such spending.